

SUNTORY BEVERAGE & FOOD SPAIN: SUSTAINABILITY AS A COMPETITIVE STRATEGY ¹

At the beginning of June 2021, Sara de Pablos completed her first two months as CEO of Suntory Beverage & Food Spain, a leading global FMCG company. Spain was just out of a long state of alarm decreed by the government to curb the coronavirus pandemic, and restrictions on individuals and companies were being relaxed.

Sara was very motivated and excited and shared her first impressions and challenges after these weeks in Suntory.

"Suntory has captivated me. Initially, I was concerned that I would have to undertake a profound adjustment to offset the significant impact of the health crisis on business results. However, I have found a company that truly believes in sustainable and purposeful growth, doing things right for the long-term, and not obsessing with short-term results.

I am impressed with the strength of Suntory's Growing for Good culture and how committed employees are. They are full of energy and enthusiasm, and that is contagious from day one."

Nevertheless, there were enormous challenges ahead. The pandemic had had a devastating effect on the hospitality industry and modified some critical consumer trends. Sara considered conditions and favorable scenarios for the company's post-crisis grow, studied new market trends for its products and raw material supply and, most importantly, analyzed future demand from customers, employees, suppliers, and investors.

¹ This is a case of the Research Division of San Telmo Business School, Spain. It has been written by Professor Enrique Garrido Martínez and research assistants Silvia Rodríguez Bouzo and Blanca Valderrama Borrego, and is intended as a basis for class discussion only and not to illustrate any judgment on the effective or ineffective management of a specific situation.

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Together with the management team, the new CEO started to overhaul the strategy in an effort to recover pre-pandemic business volumes and drive long-term sustainable growth.

SUNTORY BEVERAGE & FOOD SPAIN²

Suntory Beverage & Food Spain (SBFS) had closed the 2020 fiscal year with sales of 269 million EUR, 349 million liters, and a workforce of 1,011 employees.

Table 1: SBFS selected business and financial magnitudes (thousand EUR)

	2017	2018	2019	2020
Turnover	477,436	424,921	406,345	268,906
Gross Margin	242,615	203,414	198,573	128,795
EBITDA	49,478	23,393	30,158	612
Net Profit	12,480	13,776	14,955	-8,142

The brand portfolio included Schweppes, La Casera, Trina, Sunny Delight, MayTea, Pulco, and Vida. Based on Nielsen data, the company's 2020 market share were the following.

Table 2: Market share of leading products (2020)

Category	Off-trade (6,9%)	On-trade (14,3%)
Tonic water	62.5%	78.9%
Soft drinks	33%	57.4%
Non-carbonated drinks	5%	8.4%

SUNTORY BEVERAGE & FOOD SPAIN'S SUSTAINABILITY STRATEGY

Sustainability³ can be understood as *"development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs"*⁴.

Suntory Beverage & Food Spain's sustainability strategy was inspired by the Suntory group's vision of *Growing for Good: "to create harmony with people and nature."* This vision was adjusted to the singularities of the Spanish market to develop a strategy with four lines of action: products, resources, society, and employees. The ultimate goal was to achieve growth sustainably and purposefully, following Suntory Group's vision and fulfilling its mission.

² Please, read the supplement to learn more about Grupo Suntory and SBFS.

³ Find more information on the concepts of sustainability, SDGs, and challenges facing the industry on the supplement.

⁴ From the report "Our Common Future" of the World Commission of Environment and Development.

"We have a responsibility and an opportunity to ensure that future generations inherit and enjoy a healthy planet. We strive every day to make this commitment a reality throughout our value chain. Growing for Good is our vision, inspired by the generous spirit of our founder Shinjiro Torii. The more we grow, the more we can share with society and consumers. ⁵"

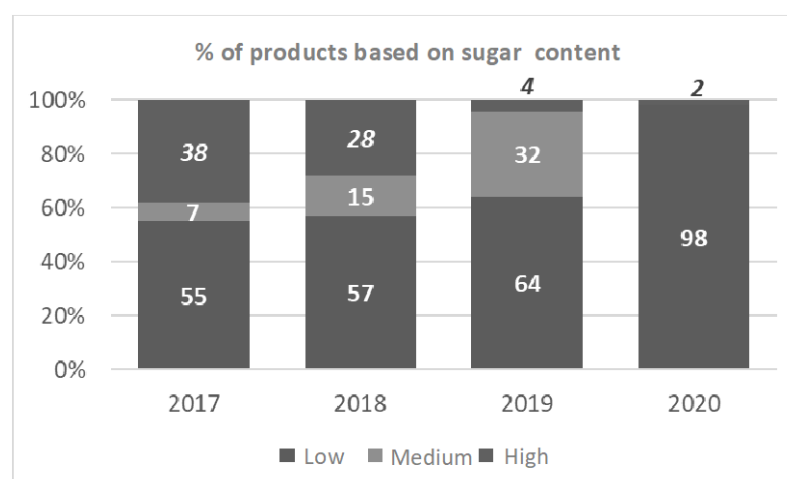
Our products, in harmony with consumers

In recent years, several organizations, including the World Health Organization, have increased the pressure on foods and beverages containing sugar⁶. Countless scientific studies clearly linked added sugars to obesity and type 2 diabetes, placing soft drinks at the epicenter of the controversy.

SBFS's commitment to its consumers was to create healthier products with lower sugar content while maintaining their flavor in essence, which called for additional R&D and supplier selection efforts.

"Consumers have our undivided attention, and we want to walk with them on this journey towards products with lower sugar content, i.e., products for them to continue enjoying the flavors and sensations they so value."

The sugar reduction strategy started in 2009. It initially focused on expanding the low sugar content product range. The company introduced Zero and low-sugar product lines across all brands. Moreover, consumers could choose different sugar contents thanks to "transparent" labeling that showed comprehensive nutritional information. In recent years, however, the strategy had become more incisive. The following graph shows the evolution of total sugar content (gr/100 ml) in SBFS⁷ products:



⁵ Unless otherwise stated, quotes are Sara de Pablos'.

⁶ Find more information on sugar regulations on the supplement.

⁷ 2020 data on formulas available to launch to market.